

STATEMENT BY

THE HONORABLE NELSON M. FORD
ASSISTANT SECRETARY OF THE ARMY
(FINANCIAL MANAGEMENT AND COMPTROLLER)

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Mr. Chairman and distinguished members of the commission –

Thank you for the opportunity to participate in one of the most important efforts associated with shaping the military. The Army greatly appreciates your work, your thoughtfulness, and your interest in and dedication to our citizen-Soldiers.

Through the most extreme necessity – that of defending the United States in the age of vicious, unprecedented, global terrorism – the roles of the National Guard and the U.S. Army Reserve have changed dramatically. As you are well aware, no longer are they a back-up force, or what was once labeled a strategic reserve. Today's citizen-Soldiers are an operational element of our Army, meeting the demands placed upon them to uphold national security. They are integral to U.S. operations around the world, serving alongside active component troops in the Global War on Terrorism in Iraq and Afghanistan while leading missions in other locations, such as Kosovo. As always, they remain the primary force for defending the homeland and addressing other domestic requirements, such as natural disaster response.

To make the National Guard and the Army Reserve as effective as possible in their greatly expanded capacity of full operational partner, three prerequisites must be met: adequate funding to train and equip Guard and Reserve units; policy that permits assured and predictable access to these troops; and acknowledgment by Families, Soldiers, employers and government (both federal and state) of the new role of the reserve component. Unless all three are fulfilled, in the long run the Army's ability to defend and protect the nation could be compromised.

As the Army's chief financial officer, I am most concerned about the funding challenges inherent in adapting the role of the reserve component to today's mission demands. For many years, the Army has not received enough funding to accomplish

everything on its plate: global operations, recruiting and retention of the world's finest land force, modernization of warfighting equipment and systems, maintenance and improvement of infrastructure, and providing a quality of life for Soldiers and Families commensurate with the quality of their service. Since 2001, the Army's budget has increased but so have its obligations and requirements.

Last year, for the first time ever, the Army's financial management and comptroller team developed a comprehensive formula to determine the Army's true cost. Based on the missions set forth in the 2006 Quadrennial Defense Review, it addressed the needs of the Whole Army – active, Guard and Reserve. It took into account all Army expenses: active duty and reserve component Soldiers, equipment, training and facilities; the costs associated with transformation to a modular force structure; treaty obligations; civilian employees and contractors; and Family support – every fundamental cost associated with running the U.S. Army during peacetime. Of course, the costs of deployments tied to the Global War on Terrorism, and any other potential operation, are in addition to the base cost of the Army.

Our estimate of the annual baseline cost of the Army was \$138 billion in FY 2008 dollars. The methodology and assumptions were evaluated and validated within the Defense Department and by outside experts. It is a sound estimate.

Since then, Army requirements have continued to grow. Last spring's \$138 billion estimate does not reflect the President's recent decision to raise active Army end strength permanently to 547,000 and to add 8,200 Soldiers to the Army National Guard and 1,000 to the U.S. Army Reserve. The new mobilization and deployment policy for reserve units also was not included in our estimate. We expect that major changes to our training regimen for the reserve component will be needed in order to implement these guidelines successfully. We are in the process of determining the precise numbers, but know already that they will add billions of dollars to the cost of the Army.

These changes to National Guard and Reserve policy are necessary and the Army is committed to making them work. As we proceed, all resourcing decisions will be made according to operational necessity. The Army must be able to deploy a reserve unit as easily and readily as an active-component unit. Including supplemental funding, we have programmed \$36.9 billion for the National Guard and \$10.6 billion for the U.S. Army Reserve between FY 2005 and FY 2013. Of the \$8.5 billion programmed for Reset procurement, \$2.2 billion is dedicated to the National Guard and \$1.1 billion is dedicated to the U.S. Army Reserve. However, the resource allocation process must treat the active and reserve components equally. The reserve component will receive the funding and materiel needed to make it an integral part of the operational force; but, as with active component units, distribution of resources -- financial and materiel -- will be timed to meet the mobilization and deployment pattern set by the Army Force Generation model. Whichever unit, reserve or active, is next in the queue will be at the top of the resourcing prioritization list.

The National Guard's homeland obligations are unique. We are cognizant of this, and will make every effort possible to keep the reserve component prepared to answer a domestic call to duty, either by the governors or the President.

Equitable and efficient distribution of resources demands a unified and balanced budget. While a well-intentioned suggestion, splitting the execution of appropriations between Army Headquarters and the National Guard would be quite detrimental. We could lose visibility of total force requirements and would forgo economies of scale, complicating the integration of the active and reserve components and likely exacerbating the materiel issues this recommendation seeks to resolve. In turn, readiness could be affected and smooth operational planning impeded. I strongly caution against implementing any such revision to programmatic execution.

The Planning, Programming, Budgeting and Execution (PPBE) process, however, would benefit from more flexibility. Because the PPBE process does not anticipate or accommodate last-minute changes well, filling year-of-execution requirements frequently is a challenge.

Timely availability of funding also is crucial, particularly from an operational standpoint. When funds are not available at the appropriate time, the Army must choose among competing demands, such as modernization, growth, deployments and reset. The Army attempts, at all costs, to preserve readiness and to fulfill the needs of the combatant commanders. In FY 2006 and FY 2007, with the support of OSD and the Congress, we have met increasing operational tempo requirements while sustaining the quality of the deployed force and maintaining operational readiness for the current war. But, because supplemental funding usually is appropriated late in the fiscal year, production and distribution of critical equipment typically lags into the second year of the requirement timeline. These delays in funding force us to prioritize our resources in ways that meet today's immediate demand at the expense of investment for long-term readiness.

The Army is fully committed to doing what is best for national security and for our troops, regardless of component designation. In today's environment, we know that a holistic management approach is essential, and the financial management community is ready to face the funding challenges associated with implementing critical changes to our reserve force strategy. Our nation's citizen-Soldiers are doing a magnificent job around the world and at home. We must do everything possible to enable them to continue serving the country so well. Thank you again for the opportunity to address this important topic. I look forward to our discussion, your questions and your recommendations for strengthening the National Guard and Reserve as part of the operational force pool.